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S E C R E T SECTION 01 OF 02 AMMAN 008714

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TAGS: [MARR](#) [MASS](#) [PREL](#) [IZ](#) [JO](#)

SUBJECT: JORDANIAN REQUEST FOR INTEREST BEARING ACCOUNT

Classified By: CDA David Hale for reasons 1.4 (b), (d).

SUMMARY

1. (C) The Jordanian Armed Forces (JAF) have requested the disbursement of unexpended Foreign Military Financing (FMF) funds into an interest bearing account (IBA). The JAF believes an IBA would help long-range planning, ease the debt burden caused by delays in Coalition Support Fund (CSF) payments, and provide additional funds needed to maintain operational readiness. END SUMMARY.

JORDANIAN RATIONALE

2. (S) In an August 24 letter to Embassy Defense Attache (text provided in paragraph 4 below), the JAF Director of Planning and Organization, Brigadier General Mohammad Farghal, formally requested the creation of an IBA for unexpended FMF funds. JAF Head of Finance/Comptroller at the Directorate of Planning and Organization, COL Abdul Majed Abadi, told PolOff and MAP officer October 5 that disbursing unexpended FMF funds into an IBA would help the JAF's long-range planning, ease the debt burden incurred by delays in CSF payments for day-to-day operations, and provide additional funds to purchase US-origin spare parts needed to maintain operational readiness. Abadi claimed the JAF's long-range planning was hindered by an outstanding balance of approximately USD 195 million in CSF payments. The JAF has been reimbursed to date only USD 52 million for expenditures in support of Jordanian field hospitals in Afghanistan and Iraq, Royal Jordan Air Force (RJAF) repairs to airbases attributable to operations in support of the coalition, border security, and task forces in Afghanistan.

3. (C) Abadi said this shortfall in CSF reimbursement hampered JAF day-to-day operations; it posed significant challenges in maintaining JAF operational readiness as the maintenance and spare parts needed to upkeep forces has to be paid out of readily available funds. Being able to draw upon interest earned in an IBA to help finance operational readiness would free up funds and provide flexibility to better plan for future JAF needs.

POST COMMENT

4. (C) The GOJ regards itself as the most steadfast Arab ally of the U.S. in the region, and thus understandably wants to join Egypt in accruing interest on its unexpended FMF funds. Approval for an IBA would be a strong gesture of our appreciation for Jordan's resolute and important support of our efforts in the global war on terrorism. It would also contribute to Jordanian military modernization and readiness (a key post goal), and encourage continued and strengthened support for the coalition in the face of debt burdens caused by delayed CSF reimbursement. At an interest rate of 1%, Jordan would receive nearly USD 2.5 million annually based on an estimated sum of USD 240 million in the account. The additional funds would be more than symbolic; they would give Jordan the flexibility either to sustain its force or to strengthen other needed programs in compliance with the criteria of the IBA. Post will work with the GOJ to manage its financial expectations and anticipated use of interest funds.

5. (U) Text of BG Farghal's letter:

24 August, 2004
Colonel David MacLean
Chief, Military Assistance Program and Defense Attache
Embassy of the United States
Amman

Subject: Interest Bearing Account (IBA) request

Dear David,

1. I would like to seize this opportunity to express our

profound and sincere appreciation for your continuing support of JAF, and to emphasize our pride in the level of cooperation and friendship that we both have reached over the years.

12. In our continuing endeavor to answer JAF's defense needs, we are trying to spare no efforts in managing the military assistance funds efficiently and professionally. Also, as you are well aware, our FMF program doesn't incorporate or enjoy Cash Flow Financing facilities (multi year commitment) unlike other U.S. allies in this region (FMF recipients). This consequently makes it very difficult for JAF to make any long range planning for FMF.

13. In view of the above, you are kindly requested to assist in enabling JAF to deposit the unexpended balance of FMF into an Interest Bearing Account (IBA) in the US Federal Reserve Bank in an endeavor to utilize the earned interest to finance some of JAF's additional programs.

14. While anticipating your assistance, as always, please accept my highest regards and best wishes.
Yours,

Brigadier General
Director of Planning and Organization
Mohammad Farghal

16. (U) Baghdad minimize considered.

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HALE